

Rubin & Hays

ATTORNEYS AT LAW

Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202-1410
Telephone (502) 569-7525 Telefax (502) 569-7555 Email: rh@rubinhays.com

CHARLES S. MUSSON
W. RANDALL JONES
CHRISTIAN L. JUCKETT

PARALEGAL
MARY M. EMBRY

July 1, 2004

RECEIVED
JUL 02 2004
PUBLIC SERVICE
COMMISSION

Ms. Beth O'Donnell
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

Case 2004-00272

Re: Green-Taylor Water District

Dear Ms. O'Donnell:

Enclosed please find the original and ten (10) copies of the Application of the Green-Taylor Water District for a Certificate of Public Convenience and Necessity to construct, finance and increase rates pursuant to KRS 278.023.

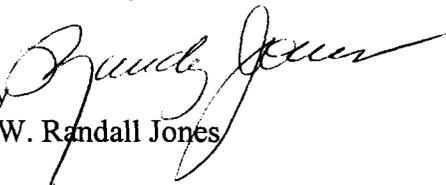
Also enclosed are eleven (11) copies of the exhibits required pursuant to 807 KAR 5.069, with the exception of the Preliminary and Final Engineering Reports, of which two copies are enclosed.

If you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By


W. Randall Jones

WRJ:jlm
Enclosures
cc: Distribution List

DISTRIBUTION LIST

Account No. 125.0000

Re: Green-Taylor Water District Waterworks Revenue Bonds, Series 2004, in the principal amount of \$970,000, consisting of \$673,000 of Series A Bonds and \$297,000 of Series B Bonds

Mr. Kenneth H. Slone
State Director
Rural Development
771 Corporate Drive, Suite 200
Lexington, Kentucky 40503-5477

Telephone: (859) 224-7336
Fax: (859) 224-7425

Mr. Terry Loper
Rural Development
957 Campbellsville Road
Columbia, Kentucky 42728-1901

Telephone: (270) 384-4759
Fax: (270) 384-6351

Ms. Connie Smith
Green-Taylor Water District
P. O. Box 168
Greensburg, Kentucky 42743

Telephone: (270) 932-4947

Mr. David Bowles
Monarch Engineering, Inc.
556 Carlton Drive
Lawrenceburg, Kentucky 40342

Telephone: (502) 839-1310
Fax: (502) 839-1373

John D. Henderson, Esq.
Attorney at Law
103 W. Court Street
Greensburg, Kentucky 42743

Telephone: (270) 932-3131
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W. Randall Jones, Esq.
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202

Telephone: (502) 569-7534
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
JUL 02 2004
PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF GREEN-TAYLOR)
WATER DISTRICT FOR A CERTIFICATE)
OF PUBLIC CONVENIENCE AND NECESSITY TO) Case No. 2004-00272
CONSTRUCT, FINANCE AND INCREASE RATES)
PURSUANT TO KRS 278.023.)

A P P L I C A T I O N

This Application of the Green-Taylor Water District ("Applicant") of Green, Taylor and Metcalfe Counties, Kentucky, respectfully shows:

1. That Applicant is a water district of Green, Taylor and Metcalfe, Kentucky, created and existing under and by virtue of Chapter 74 of the Kentucky Revised Statutes.

2. That the post office address of Applicant is:

Green-Taylor Water District
c/o Mr. William M. Netherland, Chairman
P.O. Box 168
Greensburg, Kentucky 42743

3. That Applicant, pursuant to the provisions of KRS 278.020 and 278.023, seeks (i) a Certificate of Public Convenience and Necessity, permitting Applicant to construct a waterworks construction project, consisting of extensions, additions, and improvements (the "Project") to the existing waterworks system of Applicant; (ii) an Order approving increased rates; and (iii) approval of the proposed plan of financing said Project.

4. That the project consists of (i) the construction of a 200,000 gallon water tank with appurtenances, (ii) construction of a new booster pump station and renovation of an existing booster pump station, and (iii) installation of approximately 19.3 miles of water distribution line and appurtenances.

5. That Applicant proposes to finance the construction of the Project through (i) the issuance of \$970,000 of its Waterworks Revenue Bonds, consisting of \$673,000 of Series A Bonds and \$297,000 of Series B Bonds; (ii) a Rural Development ("RD") Grant in the amount of \$846,000; and (iii) a Kentucky Infrastructure Authority 2020 Program grant in the amount of \$200,000. Applicant has a commitment from RD to purchase said \$970,000 of bonds maturing over a 40-year period, at an interest rate of not exceeding 4.75% per annum as to the Series A Bonds and 4.375%

as to the Series B Bonds, as set out in the RD Letter of Conditions, as amended, filed herewith as an Exhibit.

6. That Applicant does not contemplate having the Project constructed with any deviation from minimum construction standards of this Public Service Commission.

7. That Applicant files herewith the following Exhibits pursuant to 807 KAR 5:069 in support of this Application:

EXHIBIT A. Copy of RD Letter of Conditions, as amended.

EXHIBIT B. Copy of RD Letter of Concurrence in Bid Award.

EXHIBIT C. Certified statement from the Chairman of Applicant, based upon statements of the Engineers for Applicant, concerning the following:

- (1) The proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066, Section 4 (3) and (4); Section 5 (1); Sections 6 and 7; Section 8 (1) through (3); Section 9 (1) and Section 10;
- (2) All other state approvals or permits have already been obtained;
- (3) The proposed rates of Applicant shall produce the total revenue requirements set out in the engineering reports; and
- (4) Setting out the dates when it is anticipated that construction will begin and end.

Applicant also files herewith two (2) copies of Preliminary and Final Engineering Reports.

8. That Applicant has arranged for the publication, prior to or at the same time this Application is filed, of a Notice of Proposed Rate Increase pursuant to Section 4 of 807 KAR 5:069, in the *Greensburg Record Herald*, *Central Kentucky News-Journal* and *Edmonton Herald News*, which are the newspapers of general circulation in Applicant's service area and in Green, Taylor and Metcalfe Counties, Kentucky. Said Notice sets out the current rates and the proposed rates of Applicant and a short description of the Project. A copy of said Notice is filed herewith as **EXHIBIT D.**

9. That the foregoing constitutes the documents necessary to obtain the approval of the Kentucky Public Service Commission in accordance with Section 278.023 of the Kentucky Revised Statutes and in accordance with the "Minimum Filing Requirements" specified in 807 KAR 5:069, Section 3.

WHEREFORE, Applicant, the Green-Taylor Water District asks that the Public Service Commission of the Commonwealth of Kentucky grant to Applicant the following:

- a. A Certificate of Public Convenience and Necessity permitting Applicant to construct a waterworks project consisting of extensions, additions, and improvements to the existing waterworks system of Applicant.
- b. An Order approving the financing arrangements made by Applicant, viz., the issuance of (i) \$970,000 of Green-Taylor Water District Waterworks Revenue Bonds, consisting of \$673,000 of Series A Bonds and \$297,000 of Series B Bonds, at an interest rate of not exceeding 4.75% per annum as to the Series A Bonds and 4.375% per annum as to the Series B Bonds, (ii) an RD Grant in the amount of \$846,000; and (iii) a KIA 2020 Program grant in the amount of \$200,000.
- c. An Order approving the proposed increased rates as set out in Section 25 of the RD Letter of Conditions, as amended, filed herewith as an Exhibit.

Green-Taylor Water District

By: 
Chairman
Board of Water Commissioners


W. Randall Jones, Esq.
Rubin & Hays
Counsel for Applicant
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
(502) 569-7525



United States
Department of
Agriculture

Rural
Development

771 Corporate Drive, Suite 200
Lexington, KY 40503-5477
(859) 224-7336 TTY(859) 224-7422

August 12, 2002

AUG 14 2002

Mr. William M. Netherland
Chairman, Green-Taylor Water District
P. O. Box 168
Greensburg, Kentucky 42743

Dear Mr. Netherland:

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to the application. The loan and/or grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area office staff of USDA Rural Development. Any changes in project cost, source of funds, scope of services or any other significant changes in the project or applicant must be reported to and approved by USDA Rural Development, by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application. It should also be understood that Rural Development is under no obligation to provide additional funds to meet an overrun in construction costs.

This letter is not to be considered as loan and/or grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$673,000, a RUS grant not to exceed \$549,000, and a Kentucky Infrastructure Authority (KIA) 20-20 Program Grant in the amount of \$200,000.

If Rural Development makes the loan, the interest rate will be the lower of the rate in effect at the time of loan approval or the rate in effect at the time of loan closing, unless the applicant otherwise chooses. The loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you.

Please complete and return the attached Form RD 1942-46, "Letter of Intent to Meet Conditions," if you desire that further consideration be given to your application.

The "Letter of Intent to Meet Conditions" must be executed within three weeks from the date of this letter or it becomes invalid unless a time extension is granted by Rural Development.

If the conditions set forth in this letter are not met within 240 days from the date hereof, Rural Development reserves the right to discontinue the processing of the application.

In signing Form RD 1942-46, "Letter of Intent to Meet Conditions," you are agreeing to complete the following as expeditiously as possible:

1. Number of Users and Their Contribution:

There shall be 4,269 water users, of which 4,235 are existing users and 34 are new users. The Rural Development Manager will review and authenticate the number of users prior to advertising for construction bids. No contribution is required from the Water District.

1a. Grant Agreement:

Attached is a copy of RUS Bulletin 1780-12, "Water and Waste System Grant Agreement," for your review. You will be required to execute a completed form at the time of grant closing.

1b. Drug-Free Work Place:

Prior to grant approval, the Water District will be required to execute Form AD-1049, "Certification Regarding Drug-Free Workplace Requirements (Grants) Alternative I - For Grantees Other Than Individuals."

2. Repayment Period:

The loan will be scheduled for repayment over a period not to exceed 40 years from the date of the bond. Principal payment will not be deferred for a period in excess of two years from the date of the bond. Payments will be in accordance with applicable KRS, which requires interest to be paid semi-annually (January 1st and July 1st) and principal will be due on or before the first of January. Rural Development may require the Water District to adopt a supplemental payment agreement providing for monthly payments of principal and interest so long as the bond is held or insured by RUS. Monthly payments will be approximate amortized installments.

3. Recommended Repayment Method:

Payments on this loan can be made using the Preauthorized Debit (PAD) payment method. This procedure eliminates the need for paper checks and ensures timely receipt of RD loan payments. To initiate PAD payments, Form SF 5510, "Authorization Agreement for Preauthorized Payments," should be signed by the District to authorize the electronic withdrawal of funds from your designated bank account on the exact installment payment due date. The Rural Development Manager will furnish the necessary forms and further guidance on the PAD procedure.

4. Funded Depreciation Reserve Account:

The Water District will be required to deposit \$325 per month into a "Funded Depreciation Reserve Account" until the account reaches \$39,000. The deposits are to be resumed any time the account falls below the \$39,000.

The required monthly deposits to the Reserve Account and required Reserve Account levels are in addition to the requirements of the Water District's prior bond resolutions.

The monthly deposits to the Reserve Account are required to commence with the first month of the first full fiscal year after the facility becomes operational.

5. Security Requirements:

A pledge of gross water revenue will be provided in the Bond Resolution. Bonds shall rank on a parity with existing bonds.

6. Land Rights and Real Property:

The Water District will be required to furnish satisfactory title, easements, etc., necessary to install, maintain and operate the facility to serve the intended users. The pipelines will be on private rights-of-way where feasible. Easements and options are to be secured prior to advertising for construction bids.

7. Organization:

The Water District will be legally organized under applicable KRS which will permit them to perform this service, borrow and repay money.

8. Business Operations:

The Water District will be required to operate the system under a well-established set of resolutions, rules and regulations. A budget must be established annually and adopted by the Water District after review by Rural Development. At no later than loan pre-closing, the Water District will be required to furnish a prior approved management plan to include, as a minimum, provisions for management, maintenance, meter reading, miscellaneous services, billing, collecting, bookkeeping, making and delivering required reports and audits.

9. Accounts, Records and Audits:

The Water District will be required to maintain adequate records and accounts and submit annual budgets and year-end reports (annual audits) in accordance with subsection 1780.47 of RUS Instruction 1780 and RUS Staff Instruction 1780-4, a copy of which is enclosed.

10. Accomplish Audits for Years in Which Federal Financial Assistance is Received:

The Water District will accomplish audits in accordance with OMB Circular A-133, during the years in which federal funds are received. The Water District will provide copies of the audits to the Area Office and the appropriate Federal cognizant agency as designated by OMB Circular A-133.

11. Insurance and Bonding:

The following insurance and bonding will be required:

- A. Adequate Liability and Property Damage Insurance including vehicular coverage, if applicable, must be obtained and maintained by the Water District. The Water District should obtain amounts of coverage as recommended by its attorney, consulting engineer and/or insurance provider.
- B. Worker's Compensation - The Water District will carry worker's compensation insurance for employees in accordance with applicable state laws.
- C. Fidelity Bond - The Water District will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$362,000.
- D. Real Property Insurance - The Water District will obtain and maintain adequate fire and extended coverage on all structures including major items of equipment or machinery located in the structures. The amounts of coverage should be based on recommendations obtained by the Water District from its attorney, consulting engineer and/or insurance provider. Subsurface lift stations do not have to be covered except for the value of electrical and pumping equipment therein.
- E. Flood Insurance - The Water District will obtain and maintain adequate coverage on any facilities located in a special flood and mudslide prone areas.

12. Planning and Performing Development:

- A. The engineer should not be authorized to commence work on final plans and specifications until a determination has been made that the project can be planned and constructed within the estimated cost shown in paragraph "22" of this letter. The engineer may then proceed to develop final plans and specifications to be completed no later than 210 days from this date, and prepare bid documents. The Rural Development Manager is prepared to furnish the necessary guide for him to follow so as to keep the project plans and documents within our guidelines and requirements. The project should not be advertised for construction bids until all easements and enforceable options have been obtained, and total funds are committed or available for the project.
- B. The following documents will be submitted to Rural Development for review and must be concurred in by Rural Development prior to advertisement for construction bids:
 - 1. Final plans, specifications and bid documents.
 - 2. Applicant's letter on efforts to encourage small business and minority-owned business participation.
 - 3. Legal Service Agreements.
 - 4. Engineering Agreements.

Revision in these documents will be subject to Rural Development concurrence. Any agreements, contracts, etc. not reviewed and approved by Rural Development will not be eligible for payment from project funds or revenues from facilities financed by this Agency.

Prior to receipt of an authorization to advertise for construction bids, the Water District will obtain advance clearance from Bond Counsel regarding compliance with KRS 424 pertaining to publishing of the advertisement for construction bids in local newspapers and the period of time the notice is required to be published.

13. Compliance with Section 504 of the Rehabilitation Act of 1973:

The Water District will be required to comply with Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), in order to make sure no handicapped individual, solely by reason of their handicap, is excluded from participation in the use of the water system, be denied the benefits of the water system, or be subjected to discrimination.

14. Closing Instructions:

The Office of General Counsel, our Regional Attorney, will be required to write closing instructions in connection with this loan. Conditions listed therein must be met by the Water District.

15. Compliance with Special Laws and Regulations:

The Water District will be required to conform with any and all state and local laws and regulations affecting this type project.

16. System Operator:

The Water District is reminded that the system operator must have an Operator's Certificate issued by the State.

17. Prior to Pre-Closing the Loan, the Water District will be Required to Adopt:

- A. Form RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)."
- B. Form RD 400-1, "Equal Opportunity Agreement."
- C. Form RD 400-4, "Assurance Agreement."
- D. Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transaction."
- E. Form RD 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts."
- F. FmHA Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans."

The Water District must offer the opportunity for all residents in the service area to become users of the facilities regardless of race, creed, color, religion, sex, national origin, marital status, physical or mental handicap or level of income.

18. Refinancing and Graduation Requirements:

The Water District is reminded that if at any time it shall appear to the Government that the Water District is able to refinance the amount of the RUS indebtedness then outstanding, in whole or in part, by obtaining a loan from commercial sources at reasonable rates and terms, upon the request of the Government, the Water District will apply for and accept such loan in sufficient amount to repay the Government.

19. Commercial Interim Financing:

The Water District will be required to use commercial interim financing for the project during construction for the RUS loan portion of the financing, if available at reasonable rates and terms.

Before the loan is closed, the Water District will be required to provide Rural Development with statements from the contractor, engineer and attorneys that they have been paid to date in accordance with their contract or other agreements and, in the case of the contractor, that he has paid his suppliers and sub-contractors.

20. Disbursement of Project Funds:

A construction account for the purpose of disbursement of project funds (RUS) will be established by the Water District prior to start of construction. The position of officials entrusted with the receipt and disbursement of RUS project funds will be covered by a "Fidelity Bond," with USDA Rural Development as Co-Obligee, in the amount of construction funds on hand at any one time during the construction phase.

During construction, the Water District shall disburse project funds in a manner consistent with subsection 1780.76 (e) of RUS Instruction 1780. Form RD 1924-18, "Partial Payment Estimate," or similar form approved by Rural Development, shall be used for the purpose of documenting periodic construction estimates, and shall be submitted to Rural Development for review and acceptance. Prior to disbursement of funds by the Water District, the Board of Directors shall review and approve each payment estimate. All bills and vouchers must be approved by Rural Development prior to payment by the Water District.

Form RD 440-11, "Estimate of Funds Needed for 30-Day Period Commencing _____," will be prepared by the Water District and submitted to Rural Development in order that a periodic advance of federal cash may be requested.

Monthly audits of the Water District's construction account records shall be made by Rural Development.

21. Disbursement of Grant Funds:

The RUS funds will be advanced as they are needed in the amount(s) necessary to cover the RUS proportionate share of obligations due and payable by the Water District. Interest earned on grant funds in excess of \$100 (as applicable) per year will be submitted to RUS at least quarterly, as required in 7CFR part 3016 (as applicable).

22. Cost of Facility:

Breakdown of Costs:

Development	\$ 1,081,000
Legal and Administrative	60,000
Engineering	148,000
Interest	25,000
Contingencies	<u>108,000</u>
TOTAL	\$ 1,422,000

Financing:

RUS Loan	\$ 673,000
RUS Grant	549,000
KIA 20-20 Grant	<u>200,000</u>
TOTAL	\$ 1,422,000

23. Debt Collection Improvement Act (DCIA) of 1996:

The Debt Collection Improvement Act (DCIA) of 1996 requires that all federal payments after January 1, 1999, must be made by Electronic Funds Transfer/Automated Clearing House (EFT/ACH). Borrowers receiving payments by EFT will have funds directly deposited to a specified account at a financial institution with funds being available to the recipient on the date of payment. The borrower should complete Form SF-3881, "Electronic Funds Transfer Payment Enrollment Form," for each account where funds will be electronically received. The completed form(s) must be received by Rural Development at least thirty (30) days prior to the first advance of funds.

24. Use of Remaining Project Funds:

After providing for all authorized costs, any remaining project funds will be considered to be RUS/20-20 grant funds and refunded in proportion to participation in the project. If the amount of unused grant funds exceeds the grants, that part would be RUS loan funds.

25. Rates and Charges:

Rates and charges for facilities and services rendered by the Water District must be at least adequate to meet cost of maintaining, repairing and operating the water system and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

Water rates will be at least:

5/8" x 3/4" Meter

First	2,000	gallons @ \$	16.30. - Minimum Bill.
Next	3,000	gallons @ \$	6.45. - per 1,000 gallons.
Next	5,000	gallons @ \$	5.00. - per 1,000 gallons.
All Over	10,000	gallons @ \$	2.90. - per 1,000 gallons.

3/4" Meter

First	3,000	gallons @ \$	22.75. - Minimum Bill.
Next	2,000	gallons @ \$	6.45. - per 1,000 gallons.
Next	5,000	gallons @ \$	5.00. - per 1,000 gallons.
All Over	10,000	gallons @ \$	2.90. - per 1,000 gallons.

1" Meter

First	5,000	gallons @ \$	35.65. - Minimum Bill.
Next	5,000	gallons @ \$	5.00. - per 1,000 gallons.
All Over	10,000	gallons @ \$	2.90. - per 1,000 gallons.

1-1/2" Meter

First	10,000	gallons @ \$	60.65. - Minimum Bill.
All Over	10,000	gallons @ \$	2.90. - per 1,000 gallons.

2" Meter

First	20,000	gallons @ \$	89.65. - Minimum Bill.
All Over	20,000	gallons @ \$	2.90. - per 1,000 gallons.

26. Water Purchase Contract:

The Water District will submit Water Purchase Contracts for approval by Rural Development before advertising for construction bids. If the contracts are not on Form RD 442-30, "Water Purchase Contract," the contract will require approval by our Regional Attorney. The contracts must meet the requirements of subsection 1780.62 of RUS Instruction 1780.

27. Commitment of Kentucky Infrastructure Authority 20-20 Grant:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to advertising for construction bids for the KIA 20-20 grant in the amount of \$200,000.

28. Floodplain Construction:

The Water District will be required to pass and adopt a Resolution or amend its By-Laws whereby the Water District will deny any water service to any future customer wishing to build on or develop property located within a designated floodplain. If a customer or developer

requests service for construction in a designated floodplain, the customer or developer must provide evidence and a justification for approval by the Water District and Rural Development officials that there are no other alternatives to construction or development within the designated floodplain. The community must be a participant in the National Flood Insurance Program (NFIP) and the customer or developer must obtain the required permits prior to the tap on restrictions being waived.

29. Mitigation Measures:

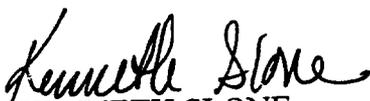
- A. The Water District shall be required to comply with the requirements of the Kentucky State Clearinghouse as detailed by letter dated October 4, 2001, and signed by Mr. Ronald W. Cook.
- B. The Water District shall be required to comply with the requirements, if any, of the U.S. Fish and Wildlife Service as requested by letter dated May 2, 2002, and signed by Lee A. Barclay, Ph.D., Field Supervisor.
- C. The Water District will comply with all applicable executive orders and regulations that are applicable to the preservation of prime farmlands, wetlands, floodplains, and cultural resources.

30. Final Approval Conditions:

Final approval of this loan will depend on your willingness, with the assistance of all your co-workers, to meet the conditions of this letter in an orderly and systematic manner. Then too, final approval will depend on funds being available.

If you desire to proceed with your application, the Rural Development Manager will allot a reasonable portion of time to provide guidance in application processing.

Sincerely,


KENNETH SLONE

State Director
Rural Development

Enclosures

cc: Rural Development Manager - Columbia, Kentucky
Community Development Manager - Glasgow, Kentucky
Lake Cumberland ADD - Russell Springs, Kentucky
William M. Hall, Jr. - Campbellsville, Kentucky
Rubin & Hays - Louisville, Kentucky
Monarch Engineering - Lawrenceburg, Kentucky
PSC - ATTN: Bob Amato - Frankfort, Kentucky



United States Department of Agriculture
Rural Development
Kentucky State Office

June 15, 2004

Mr. William M. Netherland, Chairman
Green-Taylor Water District
P.O. Box 168
Greensburg, Kentucky 42743

Re: Letter of Conditions Dated August 12, 2002

Dear Mr. Netherland:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated August 12, 2002. The purpose of this amendment is to (1) revise the total cost of the project; (2) revise the rates and charges; (3) revise the Funded Depreciation Reserve Account requirements; and (4) make other editorial changes in accordance with current Rural Utilities Service (RUS) Instructions.

The Second Paragraph on Page 1 is revised to read as follows:

“ This letter is not to be considered as loan and/or grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$970,000, a RUS grant not to exceed \$846,000, and a Kentucky Infrastructure Authority (KIA) 2020 Program Grant in the amount of \$200,000. ”

Paragraph numbered “4” is revised to read as follows:

“ 4. Funded Depreciation Reserve Account:

The Water District will be required to deposit \$460.00 per month into a "Funded Depreciation Reserve Account" until the account reaches \$55,200. The deposits are to be resumed any time the account falls below the \$55,200.

The required monthly deposits to the Reserve Account and required Reserve Account levels are in addition to the requirements of the Water District's prior bond resolutions.

The monthly deposits to the Reserve Account are required to commence with the first month of the first full fiscal year after the facility becomes operational. ”

Paragraph numbered "11.C." is revised to read as follows:

“ 11. Insurance and Bonding:

- C. Fidelity Bond - The Water District will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$378,000. ”

Paragraph numbered "22" is revised to read as follows:

“ 22. Cost of Facility:

Breakdown of Costs:

Development	\$ 1,594,500
Legal and Administrative	20,000
Engineering	227,200
Interest	30,000
Contingencies	<u>144,300</u>
TOTAL	\$ 2,016,000

Financing:

RUS Loan	\$ 970,000
RUS Grant	846,000
KIA 2020 Program Grant	<u>200,000</u>
TOTAL	\$ 2,016,000 ”

Paragraph numbered "25" is revised to read as follows:

“ 25. Rates and Charges:

Rates and charges for facilities and services rendered by the Water District must be at least adequate to meet cost of maintaining, repairing and operating the water system and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

Water rates will be at least:

5/8" x 3/4" Meter:

First	2,000	gallons @ \$	16.80 - Minimum Bill.
Next	3,000	gallons @ \$	6.95 - per 1,000 gallons.
Next	5,000	gallons @ \$	5.50 - per 1,000 gallons.
All Over	10,000	gallons @ \$	3.40 - per 1,000 gallons.

3/4" Meter:

First	3,000	gallons @ \$	23.25 - Minimum Bill.
Next	2,000	gallons @ \$	6.95 - per 1,000 gallons.
Next	5,000	gallons @ \$	5.50 - per 1,000 gallons.
All Over	10,000	gallons @ \$	3.40 - per 1,000 gallons.

1" Meter:

First	5,000	gallons @ \$	36.15 - Minimum Bill.
Next	5,000	gallons @ \$	5.50 - per 1,000 gallons.
All Over	10,000	gallons @ \$	3.40 - per 1,000 gallons.

1 1/2" Meter:

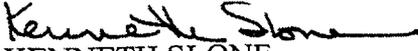
First	10,000	gallons @ \$	61.15 - Minimum Bill.
All Over	10,000	gallons @ \$	3.40 - per 1,000 gallons.

2" Meter:

First	20,000	gallons @ \$	90.15 - Minimum Bill.
All Over	20,000	gallons @ \$	3.40 - per 1,000 gallons. "

All other provisions of the referenced Letter of Conditions remain in full force and unchanged.

Sincerely,


KENNETH SLONE
State Director

cc: Area Director - Columbia, Kentucky
Rural Development Manager - Glasgow, Kentucky
Lake Cumberland ADD - Russell Springs, Kentucky
William M. Hall, Jr. - Campbellsville, Kentucky
Rubin and Hays - Louisville, Kentucky
Monarch Engineering - Lawrenceburg, Kentucky
PSC - ATTN: Bob Amato - Frankfort, Kentucky



Committed to the future of rural communities.

771 Corporate Drive, Suite 200, Lexington, KY 40503-5477
Telephone 859/224-7300; Fax 859/224-7340; TTY 859/224-7422

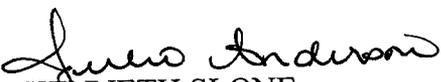
June 22, 2004

SUBJECT: Green-Taylor Water District
Phase 3- Water System Extensions and Improvements
Contract Award Concurrence

TO: Rural Development Manager
Columbia, Kentucky

Based on the bids received and the recommendation of the consulting engineer, Rural Development concurs in the award of following contracts to the low bidder on the above referenced project: Contract 3, Garrison Construction in the amount of \$1,298,905.00, and Contract 4, Caldwell Tanks, in the amount 295,600.00.

If you have any questions, please contact Julie Anderson, State Engineer, at (859) 224-7348.

for 
KENNETH SLONE
State Director
Rural Development

cc: Monarch Engineering, Inc.
Lawrenceburg, Kentucky


Rubin and Hays
Louisville, Kentucky

**CERTIFICATE OF CHAIRMAN OF GREEN-TAYLOR WATER
DISTRICT, AS TO STATEMENT REQUIRED
BY SECTION 3(2)(D) OF 807 KAR 5:069**

I, William M. Netherland, hereby certify that I am the duly qualified and acting Chairman of the Green-Taylor Water District, and that said District is in the process of arranging to finance the construction of extensions, additions and improvements to the existing waterworks system of the District (the "Project"), in cooperation with Monarch Engineering, Inc., Lawrenceburg, Kentucky, the Engineers for the District (the "Engineers").

Based on information furnished to me by said Engineers for the District, I hereby certify as follows:

1. That the proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066 Section 4(3) and (4); Section 5(1); Sections 6 and 7; Section 8(1) through (3); Section 9(1) and Section 10.
2. That all other state approvals and/or permits have already been obtained.
3. That the rates proposed by the District in its current Application filed with the Public Service Commission of Kentucky are contemplated to produce total revenue requirements set out in the Engineering Reports prepared by such Engineers and filed with the Public Service Commission.
4. That it is now contemplated that construction of the Project will begin on or about August 4, 2004, and will end on or about May 10, 2005.

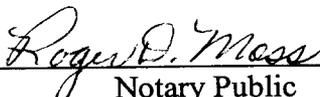
IN TESTIMONY WHEREOF, witness my signature this June 30, 2004.



Chairman
Green-Taylor Water District

STATE OF KENTUCKY)
) SS
COUNTY OF GREEN)

Subscribed and sworn to before me by William M. Netherland, Chairman of the Board of Commissioners of the Green-Taylor Water District, on this June 30, 2004.



Notary Public
In and For Said State and County

NOTICE OF PROPOSED RATE INCREASE

In accordance with the requirements of the Public Service Commission of the Commonwealth of Kentucky as set out in 807 KAR 5:069, Section 4, notice is hereby given to the customers of the Green-Taylor Water District of an increase to the District's rate schedule as set forth herein. The proposed rate increase is required by the Rural Development in connection with a loan by the RD to the District in the amount of \$970,000 to be evidenced by the issuance by the District of its Waterworks Revenue Bonds in such amount, which the RD has agreed to purchase provided the District meets certain conditions of the RD, including increasing water rates as set forth below:

Current Monthly Rates

5/8" x 3/4" Meter:

First 2,000 gallons	\$15.80 minimum bill
Next 3,000 gallons	6.20 per 1,000 gallons
Next 5,000 gallons	4.75 per 1,000 gallons
All over 10,000 gallons	2.90 per 1,000 gallons

3/4" Meter:

First 3,000 gallons	\$22.00 minimum bill
Next 2,000 gallons	6.20 per 1,000 gallons
Next 5,000 gallons	4.75 per 1,000 gallons
All over 10,000 gallons	2.90 per 1,000 gallons

1" Meter:

First 5,000 gallons	\$34.40 minimum bill
Next 5,000 gallons	4.75 per 1,000 gallons
All over 10,000 gallons	2.90 per 1,000 gallons

1½" Meter:

First 10,000 gallons	\$58.15 minimum bill
All over 10,000 gallons	2.90 per 1,000 gallons

2" Meter:

First 20,000 gallons	\$87.15 minimum bill
All over 20,000 gallons	2.90 per 1,000 gallons

Proposed Monthly Rates

5/8" x 3/4" Meter:

First 2,000 gallons	\$16.80 minimum bill
Next 3,000 gallons	6.95 per 1,000 gallons
Next 5,000 gallons	5.50 per 1,000 gallons
All over 10,000 gallons	3.40 per 1,000 gallons

3/4" Meter:

First 3,000 gallons	\$23.25 minimum bill
Next 2,000 gallons	6.95 per 1,000 gallons
Next 5,000 gallons	5.50 per 1,000 gallons
All over 10,000 gallons	3.40 per 1,000 gallons

1" Meter:

First 5,000 gallons	\$36.15 minimum bill
Next 5,000 gallons	5.50 per 1,000 gallons
All over 10,000 gallons	3.40 per 1,000 gallons

1½" Meter:

First 10,000 gallons	\$61.15 minimum bill
All over 10,000 gallons	3.40 per 1,000 gallons

2" Meter:

First 20,000 gallons	\$90.15 minimum bill
All over 20,000 gallons	3.40 per 1,000 gallons

The RD loan proceeds will be used in conjunction with (i) an RD grant in the amount of \$846,000; and (ii) a KIA 2020 Program grant in the amount of \$200,000 to finance the cost of extensions, additions and improvements to the existing waterworks system of the District, consisting of (a) the construction of a 200,000 gallon storage tank, (b) construction of a new booster pump station and renovation of an existing booster pump station, and (c) installation of approximately 19.3 miles of water distribution line and appurtenances.

Signed: William M. Netherland, Chairman
Green-Taylor Water District